

The Economic Democracy Act — Executive Summary

- The proposed Economic Democracy Act (EDA) offers a private property and just, free market-oriented national policy to foster “capital self-sufficiency” as a supplement to wage incomes and as a basis for all Americans to achieve lifetime prosperity and economic independence.
- The EDA follows the precedent of Abraham Lincoln’s Homestead Act of 1862 that democratized the ownership of limited frontier land. The new economic policy would universalize access to asset-backed money in the form of insured capital credit. These loans would be repaid with “future savings” from each year’s profits from the new capital added that year. This 21st century equivalent of 160 acres would be extended equally to every citizen every year, providing the means to accumulate a lifetime ownership stake in the high-tech frontier.
- The EDA would launch America as the first nation to promote the fundamental human right articulated in the “Universal Declaration of Human Rights” at the formation of the United Nations on December 10, 1948. Article 17 of the UDHR stated: **(1) “Everyone has the right to own property alone as well as in association with others. (2) No one shall be arbitrarily deprived of his property.”** This would encourage other countries, including those led by communists or monopoly capitalists, to adopt America’s “Just Third Way” model for a more democratic and prosperous future, and a truly free and just, global market system.
- The Economic Democracy Act is based on four pillars of a just free market economy — (1) expanded capital ownership, (2) limited economic power of the state, (3) restoration of free and open markets, and (4) restoration of the full rights of private property for every person from birth until death. The EDA would strengthen the political constituency for linking supply-side with demand-side economic policies. It would add social justice to free market principles and reduce the political pressures for redistributive, anti-growth and protectionist policies.
- The Economic Democracy Act would introduce reforms into the monetary and tax systems geared toward maximizing sustainable private-sector growth without inflation, while systematically building a nation of citizen-owners. Along with shifting from a debt-backed to an asset-backed currency, a simplified tax system would be introduced to encourage corporations to finance their growth more democratically.
- The EDA would reduce the pressure of increasing Social Security and Medicare costs, leaving in place a social safety net for individuals whose capital and labor incomes are insufficient to meet their basic needs.
- The Federal Reserve would revive its existing powers under Section 13(2) of the Federal Reserve Act. This opens the discount windows of its twelve regional Federal Reserve banks to create through local commercial and cooperative banks sufficient asset-backed money and insured capital credit to finance the estimated \$4.976 trillion needed annually for new plant and equipment, renewable energy, green technology, new rentable space, and new infrastructure. Rather than flowing only to the already wealthy, the new money and credit would be channeled through financing mechanisms such as individual Capital Ownership Accounts (COAs), creating new owners of new capital without violating property rights of current owners.
- **Five central banking innovations** would be introduced: **(1)** Qualified new industrial, commercial, and agricultural capital investment would be financed with newly created, private sector, asset-backed money and insured, no-interest (but not no-cost) self-liquidating credit extended through the commercial banking system and rediscounted at regional Federal Reserve Banks in ways that create new owners. **(2)** Monetization of government deficits and speculative securities would be phased out. **(3)** Open market operations would be limited to dealing in qualified private-sector securities once all government debt is retired. **(4)** 100% reserves would replace today’s fractional reserve banking by immediate rediscounting of all qualified new capital investment. **(5)** Private sector insurance and reinsurance companies would offer capital credit insurance and reinsurance to replace reliance on traditional forms of collateral.

For more detail, see “Overview of the Economic Democracy Act” at <https://www.cesj.org/learn/economic-democracy-act/overview/>